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SUBJECT: AFTER SLUGGISH START, AQABA'S INDUSTRIAL ESTATE NOW SHOWS
MODEST GROWTH WITH ROOM FOR IMPROVEMENT

REFS: A. Amman 1000
[1](#)B. 07 Amman 3909

[1](#)1. (U) Summary: Investment in the southern town of Aqaba has traditionally focused on tourism (ref A). Aqaba's Special Economic Zone, however, offers an industrial estate, the Aqaba International Industrial Estate (AIIE), which provides significant tax advantages for businesses and is also designated a Qualifying Industrial Zone (QIZ). 41 companies are currently contracted to operate in the AIIE, although most remain at the land-registry stage. Light industry has only recently begun to take advantage of these opportunities because of the slow growth in the related business services and a lack of labor; nevertheless plans are underway to market and develop the remaining two-thirds of the estate. Continued growth in the industrial estate should be a catalyst for the development of supporting business services, which will be the real key to the expansion of Aqaba's light industrial sector. End Summary.

AQABA'S INDUSTRIAL ESTATE OFFERS
TAX BREAKS AND CUSTOMS EXEMPTIONS

[1](#)2. (SBU) As part of Jordan's efforts to foster economic development, the government has created a variety of geographically demarcated, policy-favored zones including free zones, special economic zones, and industrial estates (ref B). In southern Jordan, Aqaba is home to both the Aqaba Special Economic Zone (ASEZ) and the Aqaba International Industrial Estate (AIIE), in which USAID invested \$20.3 million between 2001 and 2003. AIIE is owned by the semi-governmental Jordan Industrial Estates Corporation and is privately managed by the U.S.-based Parsons Brinckerhoff International (PBI) (ref B).

[1](#)3. (U) The AIIE provides companies with electricity, telecommunications, water, roads, sewers, flood protection, and administrative buildings. Aqaba also offers investors in the AIIE close proximity to Jordan's only port and access to a new air cargo terminal under development at the King Hussein International Airport. Businesses within the AIIE benefit from Aqaba's flat corporate income tax of five percent; an exemption from customs taxes on fees on traded goods, except for cars; and no property

taxes. NOTE: The AIIE is also designated as a Qualifying Industrial Zone (QIZ), but according to the Ministry of Industry and Trade, there have been no exports to date under the QIZ Agreement. END NOTE.

A PHASED APPROACH FOR REGIONAL GROWTH AND DEVELOPMENT

14. (SBU) AIIE Director Sheldon Fink explained that the industrial estate has been divided into phases, with each phase representing the development of a particular piece of land. He noted while only half of the phase I land has been fully-developed with factories and businesses, all of the land is assigned and all of the infrastructure including roads and utilities is operational. The equally-sized second phase of land is currently in the planning and marketing stage. The marketing literature prices the Phase II land at \$42 - \$80 per square meter, with prices based on lot size. Fink is currently negotiating with approximately 25 potential tenants, including several manufacturers that are much larger in square footage and number of employees than any of the current businesses. Land is also available for a third phase, if needed.

INDUSTRIAL INVESTMENT STARTING TO TAKE OFF

15. (SBU) There are currently 41 companies contracted to operate within Phase I, a 60-hectare division of the estate. 28 of the companies are wholly or partially Jordanian-owned. Although many of these companies are still at the land-registry stage, several have recently begun to operate in the light industry sector, including advertising material fabrication, shoe packaging and logistics, seismic equipment lab testing, and steel fabrication and engineering work. About 20 percent of the businesses are expected to be used as

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warehouses, including most of the largest enterprises by size.

16. (SBU) Once the companies are fully functional, 2,500 employees are expected to work in the AIIE. Company sizes will range from five employees at a ceramics distribution center to 250 at a steel fabrication and engineering business. Finding qualified local labor within Aqaba has been a challenge for developing the industrial sector in this region of Jordan. Fink said unskilled positions in factories and warehouses would most likely be filled by foreign workers, predominantly Egyptians. While the law allows companies in the AIIE to have as many as 70 percent foreign workers, he estimated that the workforce would be at least 50 percent Jordanian. He explained that skilled and professional positions would be filled by Jordanians, who relocate from Kerak, Amman, Irbid, and the Gulf. Indeed, Walter Luhs, a technical manager at a laser software and hardware company in AIIE, said his German firm was drawn to Aqaba because of the large number of qualified engineers in Jordan, given a growing shortage of engineers in Germany, as well as the scenery and the tax advantages. Luhs said he received 1,500 Jordanian applications from across Jordan for his 45 engineering positions.

COMMENT

17. (SBU) Aqaba's industrial estate has taken longer than some of the other QIZs to get up-and-running because it faces the same business challenges as all of Aqaba: a lack of locally-based skilled and unskilled workers and supporting services, as well as remoteness from Jordan's economic hub Amman. Businesses that are investing in Aqaba today for tax purposes are overcoming these challenges by relying on foreign labor and services from Amman for equipment repair and material acquisition. One example was in a handicrafts workshop where all of the raw materials and the sewing machines were from Amman. Today, Aqaba, like all cities in Jordan, is still highly tied to Amman where the majority of businesses are located. While Aqaba provides Jordan's only port, many containers are off-loaded in Aqaba onto trucks and sent directly to distribution centers in Amman. Even some goods intended for Aqaba must first pass through Amman. One would hope this modest growth in the industrial estate would be a catalyst for the further development of supporting business and logistical services, which will be the real

key to the expansion of Aqaba's light industrial sector.

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